You should read the following discussion and analysis of our financial condition and our results of operations together with our audited combined financial statements as at and for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 and the accompanying notes included in the Accountants' Report set out in Appendix I to this Prospectus. The Accountants' Report has been prepared in accordance with HKFRS. Our financial information for the six months ended 30 June 2011 is unaudited but has been reviewed by Deloitte Touche Tohmatsu, our auditor and reporting accountants, and prepared on the same basis as our audited financial information. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the section headed "Risk Factors" in this Prospectus.

OVERVIEW

We are one of the leading branded bedding products companies in the PRC and Hong Kong. We primarily design, manufacture and sell bedding products with a focus on the high-end and premium markets under our proprietary Casablanca CASABLANCA® HOME and Casa Calvin Casa Calvin® brands, respectively. We generally offer our bedding products under three main categories: (i) bed linens; (ii) duvets and pillows; and (iii) home accessories such as blankets, towels and cushions. We also design, manufacture and distribute bedding products under certain international brands, such as Elle Deco ELLE DECO and Centa-Star CENTA STAR® the bed & bath company, under licences in the Greater China Region. In connection with our proprietary brands, we also manufacture and distribute a small portion of bedding products using certain popular cartoon characters. Our broad product portfolio and our commitment to deliver high quality products have helped us to secure a large and loyal customer base.

Leveraging on nearly two decades of experience in the Hong Kong bedding products market, we believe that we have established a leading market position and a broad presence in the PRC and Hong Kong. According to Euromonitor, (i) our Casa Calvin brand was ranked first in the premium bedding products segment and our Casablanca brand was ranked second in the high-end bedding products segment, in terms of market share value for the year ended 31 December 2011 in the Hong Kong market; and (ii) our Casa Calvin brand was ranked fourth in the premium bedding products segment and our Casablanca brand was ranked tenth in the high-end bedding products segment, in terms of market share value for the year ended 31 December 2011 in the PRC market.

We have a sales network across the Greater China Region. Our points of sale include concession counters in department stores and home furnishing malls as well as stand-alone retail stores which are operated either by ourselves or by our distributors. As at 30 June 2012, we had established a sales network comprising 358 points of sale which included 203 self-operated points of sale and 155 distributor-operated points of sale in 77 cities across 25 provinces, municipalities, autonomous regions and special administrative regions in the Greater China Region. We strategically locate our self-operated points of sale in Hong Kong and in major cities in the PRC, including, Shenzhen, Guangzhou, Shanghai and Beijing, which we consider to be our core markets, to capture customers with high purchasing power. In this regard, during the Track Record Period, we were able to secure our self-operated points of sale in well-known department stores and shopping malls such as JUSCO, UNY, YATA, Citistore, Parkson, Tianhong, Grandbuy, Jiu Guang. In addition, by utilising our distributor network, we can quickly expand into other regionally significant cities in the PRC such as Tianjin, Chongqing, Chengdu, Xi'an, Hangzhou, Qingdao and Fuzhou, with lower capital expenditure requirements than establishing self-operated points of sale.

During the Track Record Period, a substantial portion of our revenue was derived from the sale of products under our proprietary brands. The following table sets forth a breakdown of our revenue by brand for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
							(unaudited)			
Proprietary Brands										
Casa Calvin	51,502	19.3%	61,659	19.0%	90,471	21.0%	50,102	25.2%	45,499	22.0%
Casablanca	185,289	69.5%	210,774	64.8%	275,508	64.1%	121,771	61.3%	123,045	59.5%
Others[1]	876	0.3%	795	0.2%	2,314	0.5%	767	0.4%	2,279	1.1%
Subtotal	237,667	89.1%	273,228	84.0%	368,293	85.6%	172,640	86.9%	170,823	82.6%
Licensed and Authorised Brands	29,000	10.9%	52,056	16.0%	61,970	14.4%	26,091	13.1%	36,002	17.4%
Total	**266,667**	**100.0%**	**325,284**	**100.0%**	**430,263**	**100.0%**	**198,731**	**100.0%**	**206,825**	**100.0%**

Note:

(1) "Others" includes Forcetech and Casatino brands.

The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
							(unaudited)			
Self-operated retail sales										
Concession counters	186,219	69.8%	237,532	73.0%	296,468	68.9%	131,084	66.0%	131,250	63.5%
Retail stores	13,371	5.0%	16,886	5.2%	33,207	7.7%	16,338	8.2%	20,574	9.9%
Subtotal	199,590	74.8%	254,418	78.2%	329,675	76.6%	147,422	74.2%	151,824	73.4%
Sales to distributors	30,419	11.4%	31,405	9.7%	43,041	10.0%	17,332	8.7%	35,882	17.4%
Others[1]	36,658	13.8%	39,461	12.1%	57,547	13.4%	33,977	17.1%	19,119	9.2%
Total	**266,667**	**100.0%**	**325,284**	**100.0%**	**430,263**	**100.0%**	**198,731**	**100.0%**	**206,825**	**100.0%**

Note:

(1) "Others" includes sales to wholesale customers in Hong Kong and the PRC and also exports to overseas markets including Belarus, Canada, Colombia, Dubai, India, Lebanon, Malaysia, Mongolia, Morocco, Russia, Saudi Arabia, South Korea, Taiwan, Ukraine and Vietnam.

GROUP REORGANISATION AND BASIS OF PRESENTATION

We were incorporated in the Cayman Islands in April 2012 as an exempted company with limited liability under the Companies Law. In preparation for the Global Offering, we underwent the Reorganisation during which we disposed of our interest in Wealth Pine, increased our authorised share capital and conducted a share swap. Please see the section headed “History, Reorganisation and Group Structure” in this Prospectus for additional information.

The combined financial statements of the Company have been prepared using merger accounting with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” as if our group structure under the Reorganisation had been in existence throughout the Track Record Period or since the respective dates of incorporation or establishment of the entities now comprising the Company, whichever is the shortest period.

We prepare our combined financial statements in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”).

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set forth below.

Economic Conditions in the PRC and Hong Kong

Our business is particularly sensitive to economic developments in the PRC and Hong Kong, with the urbanisation trend and rising purchasing power of PRC consumers a substantial contributor to the growth of the PRC bedding textile industry. The PRC’s nominal GDP grew at a CAGR of approximately 15.4% from 2007 to 2011, among the highest in developing countries in the Asia Pacific region, and there has been a sustained increase in per capita annual disposable income among PRC households, increasing at a CAGR of approximately 13.2% from 2007 to 2011. Corresponding to the rise in annual disposable income, annual consumer expenditure grew at a CAGR of approximately 12.3% to reach approximately RMB15,187 billion in 2011. According to the Euromonitor Report, the PRC bedding textile market has grown by a CAGR of approximately 20.9% from 2007 to 2011, with retail value sales exceeding RMB149 billion in 2011, and is estimated to triple in size and expected to exceed RMB450 billion in 2016.

According to the Euromonitor Report, Hong Kong’s nominal GDP is expected to grow steadily at a CAGR of approximately 7.3% between 2012 and 2016, and Hong Kong’s bedding textile market, which has grown at a CAGR of 13.7% from 2007 to 2011, is estimated to grow by a CAGR of approximately 14.0% from 2012 to 2016, with retail value sales expected to exceed HK$3,465 million.

Our total revenue from points of sale located in the PRC increased by a CAGR of approximately 21.9% from 2009 to 2011, reaching approximately HK$201.0 million in 2011. Our total revenue from points of sale in Hong Kong increased by a CAGR of approximately 35.3% during the same period, reaching approximately HK$210.8 million in 2011.

We expect that results of operations will continue to be significantly affected by the sustained economic growth and corresponding increase in disposable income and consumer spending in our core markets and other regionally significant cities in the PRC and in Hong Kong.

Growth of Our Sales Network

We have established an extensive sales network in the Greater China Region that comprised 203 self-operated points of sale and 155 distributor-operated points of sale in 77 cities across 25 provinces, municipalities, autonomous regions and special administrative regions in the Greater China Region as at 30 June 2012. We have strategically established our self-operated points of sale in department stores, home furnishing malls and stand-alone retail stores in Hong Kong and in our core markets in the PRC, including Shenzhen, Guangzhou, Shanghai and Beijing, and we generally leverage on our distributors to capture market share in other regionally significant cities in the PRC. We and our distributors have established points of sale in well-known department stores in Hong Kong and the PRC, and we believe that these well-known department stores are primary retail channels for customers with high purchasing power. As we expand our sales network, we will need to secure more locations for our points of sale self-operated and/or distributor-operated. Our ability to increase sales is directly affected by the number and performance of the points of sale operated by us and by our distributors and on our ability to secure prime locations for our points of sale on favourable terms.

Maintaining Brand Image

Our ability to maintain our brand image, including the cultivation of market perception and acceptance of our distinctive designs and brand concepts, and maintaining the quality of our products, is a significant factor in the success of our business. The majority of our products, including proprietary brands and licensed brands, are principally designed by our in-house design team located in Shenzhen. Our strong design capabilities have allowed us to design products with distinctive styles and contemporary appearances with an emphasis on product functionality. Our designs, especially for bed linen products, are primarily inspired by Italian architecture. We place a heavy emphasis on keeping abreast of the latest market preferences and developments in new designs and types of fabrics. Our continuous development of a range of innovative products allows us to cater to a wide range of consumer preferences and quickly adapt to emerging market trends and changing consumer tastes in the bedding products market, while differentiating our products from those of our competitors. Our results of operations are significantly affected by our ability to manage our brands and maintain our brand image in the PRC and Hong Kong.

Same Store Sales Growth

Our profitability is affected in part by our ability to successfully grow sales at the existing points of sale that we operate for the year or period over the previous year or period. The following table sets out a breakdown, by geographical segment, of our same store sales growth for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012:

	Year ended 31 December		Six months ended 30 June
	2010	**2011**	**2012**[(1)]
PRC	26.9%	23.8%	-3.0%[(2)]
Hong Kong and Macau	21.1%	23.1%	4.8%
Overall	23.8%	23.4%	1.5%

Notes:

(1) As compared to our same store sales for the six months ended 30 June 2011.

(2) The negative same store sales growth in the PRC for the six months ended 30 June 2012 was primarily due to a decrease in sales from our self-operated concession counters in the PRC as the result of the economic downturn.

Although much of our revenue growth in recent years was attributable to the expansion of our points of sale network, the strong performance of our existing points of sale on a same store sales basis has also been an important driver for our revenue growth. Our overall same store sales growth was approximately 1.5% for the six months ended 30 June 2012, 23.4% for the year ended 31 December 2011 and 23.8% for the year ended 31 December 2010. The growth was mainly attributable to (i) an increase in demand for our stylish and quality bedding products; (ii) our strong promotional activities, which enhanced our brand awareness and image in the locations where we operate; and (iii) our continuous development and promotion of new and wider range of bedding textile products to suit market demand. Many other factors also influence same store sales including economic conditions, competition and pricing.

Cost of Raw Materials Consumed and Fees Payable to External Manufacturers

Cost of Raw Materials Consumed

Our ability to source a steady supply of raw materials is another key factor affecting our results of operations. Our principal raw materials include fabrics and fill materials. We procure raw materials for our internal production, as well as for external manufacturers with whom we have arrangements to pay processing fees and to supply raw materials.

Changes to raw materials prices may also affect our results of operations, and the prices that we pay for our raw materials, such as cotton fabrics, may be highly susceptible to the seasonality of supplies and fluctuations in the prices of commodities used by our suppliers. In addition, the price of cotton fabric is highly correlated to the price of cotton as the correlation between the price of cotton fabric and cotton is approximately 0.95 based on the monthly average price of China Cotton Index 328 and our monthly average purchase price of cotton fabric during the Track Record Period. In 2010, for example, global cotton prices increased significantly due to a reduced supply resulting from the coincidence of growing demand in major consumers such as the United States and China, and unfavourable growing conditions in key suppliers such as China, India and Pakistan. The cost of raw materials consumed for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 accounted for approximately 60.0%, 80.2%, 61.9% and 53.3% of our cost of goods sold for the respective years. Cost of raw materials consumed as a percentage of our total cost of goods sold increased significantly for the year ended 31 December 2010 from the year ended 31 December 2009, primarily due to an increase in the purchase of raw materials in 2010 in anticipation of the increase in the price of raw materials.

We have established a pricing policy to account for fluctuations in the cost of raw materials. Pursuant to this policy, our management reviews the current and forecasted exposure to raw materials price fluctuation on a monthly basis and also maintains close communication with our raw materials suppliers and we analyse raw materials price fluctuations and evaluate the retail price adjustments of other companies in the Hong Kong and PRC bedding textile markets on a semi-annual basis, in January and in July, to determine whether corresponding adjustments to our retail prices need to be made so that we are able to pass on any raw materials price increases partially to our end customers. During the Track Record Period, we made 7 adjustments to our retail prices in connection with such policy. Also, if we expect an increase in raw materials prices, we will work with our raw materials suppliers to stabilise our cost of raw materials by increasing our purchases prior to the expected increase in raw materials prices, and conversely, if we expect a decrease in raw materials prices, we will reduce our purchases. The decision regarding the increase or decrease in the quantity of our purchases is determined by our executive Directors after reviewing the current and forecasted exposure to raw materials price fluctuations, thorough discussion with our raw materials suppliers and making reference to the global production and consumption data of cotton, the macro outlook of cotton from the monthly cotton market report issued by the Cotton Council International. Generally, it takes less than 1 month from the time we order our raw materials with our suppliers for the raw materials to be delivered to our production facility.

During the Track Record Period, in anticipation for further increases in cotton prices, we purchased more raw materials than our expected needs for the year ended 31 December 2010. In addition, when we anticipate an increase in the price of raw materials, we will purchase and supply raw materials to our external manufacturers directly in order to control and stabilise our cost of goods sold instead of outsourcing the whole production process to our external manufacturers, as we did in 2010. As the price trend of raw materials stabilised in 2011, we resumed to our normal practice by reducing the direct supply of raw materials to our external manufacturers.

We believe that the implementation and execution of our pricing policy as described above was effective during the Track Record Period in that we were able to partially pass on the increase in raw materials costs to our end customers while maintaining a stable gross profit margin. During the Track Record Period, in spite of the reduced supply of global cotton in 2010, we have not experienced any shortages in the availability of raw materials and we have a substantial number of alternative raw materials suppliers in the PRC with comparable prices, quality and supply terms should any shortages occur with our current suppliers. During the Track Record Period, our top five raw materials suppliers sourced their raw materials from the PRC. In addition, during the Track Record Period and as at the Latest Practicable Date, we have not entered into any hedging arrangements or transactions to reduce our exposure to raw materials cost risks, nor do we have any hedging policy with respect to such risks. As we were able to effectively manage the fluctuations in the cost of raw materials during the Track Record Period, we believe that it is not necessary for us to enter into any hedging arrangements or transactions to reduce our exposure to raw materials cost risks.

Fees Payable to External Manufacturers

In addition, we leverage on our external manufacturers to produce a portion of finished goods which we currently do not have capacity to produce, including bedding products such as down duvets and pillows, and certain home accessories. The cost of goods sold attributable to products purchased from our external manufacturers for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 accounted for approximately 31.5%, 10.8%, 30.4% and 38.5% of our cost of goods sold, respectively.

Our performance in the future will continue to depend on our ability to pass such increases in raw materials prices and fees paid to external manufacturers to our end consumers and our ability to find and manage external manufacturers and raw materials suppliers who can fulfill our needs at commercially acceptable prices.

Seasonality

Our operating results are subject to seasonality, reflecting increased consumption of bedding products during holiday periods or festive seasons, in particular Chinese New Year. For example, we typically experience much higher sales of our bedding products in colder weather periods, particularly fall and winter, and during the Chinese New Year, New Year, Labour Day and National Day holiday week as celebrated in the Greater China Region. Accordingly, we believe it is not meaningful to rely on the comparison of revenue and results of operation across different periods of a given year as an indicator of our performance. Our sales and inventory levels are therefore affected by the corresponding changes in consumer behaviour due to seasonality effects.

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and title to the goods has passed, at which time all of the following conditions are satisfied:

- we have transferred to the buyer the significant risks and rewards of ownership of the goods;
- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to us; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Property, Plant and Equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees, and, for qualifying assets, borrowing costs capitalised in accordance with our accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continual use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasehold Land and Building

When a lease includes both land and building elements, we assess the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to us, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent that the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the combined statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment loss recognised on trade receivables

When there is objective evidence of impairment loss, we take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2009, 2010, and 2011 and 30 June 2012, the carrying amounts of trade receivables were HK$40.2 million, HK$57.0 million, HK$72.0 million and HK$47.0 million (net of allowance for doubtful debts of HK$0.2 million, HK$0.6 million, HK$0.9 million and HK$1.3 million as at 31 December 2009, 2010 and 2011 and 30 June 2012), respectively.

Estimated impairment loss of inventories

We make allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and marketability of the inventories. Where the subsequent selling prices decline or increase in costs of completion and those necessary to make the sales, additional allowance may arise.

The carrying amounts of inventories as at 31 December 2009, 2010, and 2011 and 30 June 2012 were HK$33.3 million, HK$69.5 million, HK$80.9 million and HK$70.1 million (net of allowance for inventories of nil, nil, nil and HK$1.6 million, respectively).

DESCRIPTION OF SELECTED INCOME STATEMENT COMPONENTS

Revenue

We derive our revenue from sales of products under our proprietary brands as well as licensed and authorised brands, in three primary product categories through three sales channels across the Greater China Region.

Our revenue increased by approximately 22.0% to HK$325.3 million for the year ended 31 December 2010 from HK$266.7 million for the year ended 31 December 2009, further increased by approximately 32.3% to HK$430.3 million for the year ended 31 December 2011 and increased by approximately 4.1% from HK$198.7 million for the six months ended 30 June 2011 to HK$206.8 million for the six months ended 30 June 2012. The increase of our revenue during the Track Record Period was primarily attributable to (i) increases in the average selling price of our products due to the increase in cost of raw materials and (ii) an increase in consumer demand for our products and the increase in the number of our points of sale across the Greater China Region.

By Brand

We derive our revenue from our proprietary brands as well as licensed and authorised brands. The following table sets forth a breakdown of our revenue by brand for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
							(unaudited)			
Proprietary Brands										
Casa Calvin	51,502	19.3%	61,659	19.0%	90,471	21.0%	50,102	25.2%	45,499	22.0%
Casablanca	185,289	69.5%	210,774	64.8%	275,508	64.1%	121,771	61.3%	123,045	59.5%
Others	876	0.3%	795	0.2%	2,314	0.5%	767	0.4%	2,279	1.1%
Subtotal	237,667	89.1%	273,228	84.0%	368,293	85.6%	172,640	86.9%	170,823	82.6%
Licensed and Authorised Brands	29,000	10.9%	52,056	16.0%	61,970	14.4%	26,091	13.1%	36,002	17.4%
Total	**266,667**	**100.0%**	**325,284**	**100.0%**	**430,263**	**100.0%**	**198,731**	**100.0%**	**206,825**	**100.0%**

During the Track Record Period, we recorded an increase in revenue generated from the sale of products under both our proprietary brands and licensed and authorised brands. The increase in revenue contributed by our licensed and authorised brands was primarily attributable to the increase in sales of our Elle Deco products.

By Product Category

We primarily offer our products under three categories: (i) bed linens, (ii) duvets and pillows and (iii) other home accessories. The following table sets forth a breakdown of our revenue by product category for the periods indicated:

	Year ended 31 December												Six months ended 30 June							
	2009				2010				2011				2011				2012			
	HK$'000	*% of total*	*Sales volume '000*	*ASP*	*HK$'000*	*% of total*	*Sales volume '000*	*ASP*	*HK$'000*	*% of total*	*Sales volume '000*	*ASP*	*HK$'000*	*% of total*	*Sales volume '000*	*ASP*	*HK$'000*	*% of total*	*Sales volume '000*	*ASP*
														(unaudited)						
Bed linens	136,799	51.3%	706	193.8	173,554	53.3%	720	241.0	237,257	55.1%	890	266.6	115,465	58.1%	424	272.3	114,131	55.2%	362	315.3
Duvets and pillows	106,385	39.9%	573	185.7	133,905	41.2%	612	218.8	176,390	41.0%	634	278.2	72,465	36.5%	269	269.4	83,623	40.4%	314	266.3
Other home accessories	23,483	8.8%	185	126.9	17,825	5.5%	256	69.6	16,616	3.9%	211	78.7	10,801	5.4%	128	84.4	9,071	4.4%	114	79.6
Total	266,667	100.0%	1,464	182.1	325,284	100.0%	1,588	204.8	430,263	100.0%	1,735	248.0	198,731	100.0%	821	242.1	206,825	100.0%	790	261.8

Notes:

(1) ASP refers to average selling price.

(2) Sales volume refers to the total number of items sold. Products which consist of more than one item, such as bed linens sold in a four-piece set, are counted as one item sold.

During the Track Record Period, revenue generated from the sale of both our bed linens and duvets and pillows increased. Revenue from the sale of other home accessories decreased primarily due to the change in products mix in this product category, mainly from mattresses to towels, resulting in a higher sales volume with a significantly lower average selling price and a corresponding decrease in revenue.

By Sales Channel

The following table sets forth a breakdown of our revenue according to sales channel for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
							(unaudited)			
Self-operated retail sales										
Concession counters	186,219	69.8%	237,532	73.0%	296,468	68.9%	131,084	66.0%	131,250	63.5%
Retail stores	13,371	5.0%	16,886	5.2%	33,207	7.7%	16,338	8.2%	20,574	9.9%
Subtotal	199,590	74.8%	254,418	78.2%	329,675	76.6%	147,422	74.2%	151,824	73.4%
Sales to distributors	30,419	11.4%	31,405	9.7%	43,041	10.0%	17,332	8.7%	35,882(1)	17.4%
Others(2)	36,658	13.8%	39,461	12.1%	57,547	13.4%	33,977	17.1%	19,119	9.2%
Total	**266,667**	**100.0%**	**325,284**	**100.0%**	**430,263**	**100.0%**	**198,731**	**100.0%**	**206,825**	**100.0%**

Notes:

(1) Our sales to distributors increased from approximately HK$17.3 million for the six months ended 30 June 2011 to approximately HK$35.9 million for the six months ended 30 June 2012, despite the number of our distributor-operated points of sale remaining unchanged at 155 as at 31 December 2011 and 30 June 2012. This increase was mainly attributable to the growth of sales from our 41 distributor-operated points of sale that were newly opened for the year ended 31 December 2011, over 50% of which were newly opened in the second half of 2011.

(2) "Others" includes sales to wholesale customers in Hong Kong and the PRC and also exports to overseas customers.

We sell our products to (i) end customers at retail price through our self-operated points of sale; (ii) distributors at a discount to the retail price; and (iii) others, which mainly comprise wholesale and overseas customers, at a discount to the retail price. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, total sales generated from our self-operated points of sale were HK$199.6 million, HK$254.4 million, HK$329.7 million and HK$151.8 million, respectively, and total sales generated from distributors and others were HK$67.1 million, HK$70.9 million, HK$100.6 million and HK$55.0 million, respectively.

We recognise revenue when goods are sold in different manners in accordance with the particular sales channel. The following table summarises our revenue recognition policy by sales channel:

Sales Channel	Revenue Recognition
Self-operated retail sales	Sales are recognised when products are passed to customers in retail stores or concession counters in department stores, i.e. at the time when significant risks and rewards of ownership of the products are transferred.
Sales to distributors	Sales are recognised when the significant risks and rewards of ownership of the products delivered are passed to the distributors.
Others	Sales are recognised when products have been shipped to the specific location where the risk of loss is assumed by the wholesale customers or overseas customers.

By Geographical Region

The following table sets forth our revenue breakdown by geographical regions during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
							(unaudited)			
Hong Kong	115,142	43.2%	139,685	42.9%	210,761	49.0%	104,273	52.5%	100,587	48.6%
PRC										
Southern(1)	85,370	32.1%	103,648	31.9%	136,760	31.8%	56,766	28.6%	56,176	27.2%
Northern(2)	16,312	6.1%	22,913	7.0%	22,393	5.2%	9,655	4.9%	13,088	6.3%
Eastern(3)	16,627	6.2%	22,250	6.8%	22,188	5.2%	9,818	4.9%	14,595	7.1%
Northeast(4)	9,616	3.6%	13,619	4.2%	11,700	2.7%	5,169	2.6%	8,695	4.2%
Southwest(5)	4,330	1.6%	4,938	1.5%	5,641	1.3%	3,560	1.8%	4,879	2.4%
Central(6)	2,235	0.8%	1,568	0.5%	1,221	0.3%	696	0.4%	784	0.4%
Northwest(7)	705	0.3%	894	0.3%	1,116	0.3%	282	0.1%	347	0.2%
PRC Subtotal	135,195	50.7%	169,830	52.2%	201,019	46.8%	85,946	43.3%	98,564	47.8%
Others(8)	16,330	6.1%	15,769	4.9%	18,483	4.2%	8,512	4.2%	7,674	3.6%
Total	**266,667**	**100.0%**	**325,284**	**100.0%**	**430,263**	**100.0%**	**198,731**	**100.0%**	**206,825**	**100.0%**

Notes:

(1) "Southern" includes Guangxi, Guangdong and Hainan.

(2) "Northern" includes Tianjin, Hebei, Shanxi, Beijing and Inner Mongolia.

(3) "Eastern" includes Shanghai, Jiangsu, Zhejiang, Anhui, Shandong, Jiangxi and Fujian.

(4) "Northeast" includes Heilongjiang, Liaoning and Jilin.

(5) "Southwest" includes Sichuan, Guizhou, Tibet, Yunnan and Chongqing.

(6) "Central" includes Henan, Hubei and Hunan.

(7) "Northwest" includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

(8) "Others" includes our sales in Macau as well as our exports to overseas markets including Belarus, Canada, Colombia, Dubai, India, Lebanon, Malaysia, Mongolia, Morocco, Russia, Saudi Arabia, South Korea, Taiwan, Ukraine and Vietnam. Our sales to Macau was approximately 2.3%, 2.6%, 2.3% and 2.3% of our total revenue for the years ended 31 December 2009, 2010 and 2011 and for the six months ended 30 June 2012, respectively.

For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, we generated a significant portion of our revenue from our sale in Hong Kong and in the southern PRC, which in the aggregate, amounted to approximately 75.3%, 74.8%, 80.8% and 75.8%, respectively, of our total revenue. The significant revenue contributed by sales of products in Hong Kong and the southern PRC was primarily because (i) the majority of our points of sale are located in these regions; and (ii) points of sale in these regions are mostly self-operated, the revenue derived from which is based on retail price that is higher than price available to our distributors and other wholesale and overseas customers.

Cost of Goods Sold

Our cost of goods sold primarily consists of costs associated with the production of our products, including cost of raw materials, purchase cost of outsourced products, labour costs and manufacturing overhead costs. The following table sets forth a breakdown of our cost of goods sold by component for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
							(unaudited)			
Cost of goods sold										
Cost of raw materials	73,580	60.0	101,728	80.2	109,286	61.9	47,289	57.3	42,983	53.3
Purchase cost of outsourced products	38,574	31.5	13,676	10.8	53,682	30.4	28,784	34.9	31,055	38.5
Labour costs	6,807	5.6	8,030	6.3	9,056	5.2	4,235	5.1	4,457	5.5
Manufacturing overhead	3,522	2.9	3,456	2.7	4,490	2.5	2,203	2.7	2,084	2.7
Total	122,483	100.0	126,890	100.0	176,514	100.0	82,511	100.0	80,579	100.0

The following table shows a breakdown of costs of goods sold by product category for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
							(unaudited)			
Bed linens	64,628	52.8	68,482	54.0	100,885	57.2	50,373	61.1	43,811	54.4
Duvets and pillows	47,332	38.6	50,859	40.1	69,413	39.3	27,681	33.5	32,772	40.7
Other home accessories	10,523	8.6	7,549	5.9	6,216	3.5	4,457	5.4	3,996	4.9
Total	122,483	100.0	126,890	100.0	176,514	100.0	82,511	100.0	80,579	100.0

Margin Analysis

Our gross profit represents our revenue less cost of goods sold. Gross profit margin equals to gross profit as a percentage of revenue. The table below sets forth our gross profit and gross profit margin by product category for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2009		2010		2011		2011		2012	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Bed linens	72,171	52.8	105,072	60.5	136,372	57.5	65,092	56.4	70,320	61.6
Duvets and pillows	59,053	55.5	83,046	62.0	106,977	60.6	44,784	61.8	50,851	60.8
Other home accessories	12,960	55.2	10,276	57.6	10,400	62.6	6,344	58.7	5,075	55.9
Total	144,184	54.1	198,394	61.0	253,749	59.0	116,220	58.5	126,246	61.0

During the Track Record Period, gross profit contributed by the sale of bed linens and duvets and pillows increased, whilst that of other home accessories decreased slightly. Our overall gross profit margin increased from approximately 54.1% for the year ended 31 December 2009 to approximately 61.0% for the year ended 31 December 2010, and then remained stable at 59.0% and 61.0% for the year ended 31 December 2011 and six months ended 30 June 2012, respectively. Gross profit margin of bed linens and duvets and pillows increased for the year ended 31 December 2010 was primarily due to (i) a more significant increase in per unit average selling price of our products than our cost of goods sold, and (ii) an increase in sales from our self-operated points of sale which generally gain a higher gross profit margin. The gross profit margin of bed linens and duvets and pillows decreased to 57.5% and 60.6%, respectively for the year ended 31 December 2011, primarily due to (i) the increase of outsourced products sold; (ii) the increase in annual average price of raw materials for the year ended 31 December 2011, as compared to that for the year ended 31 December 2010; and

(iii) the conversion of 9 self-operated points of sale to distributor-operated points of sale, to whom we sold our products at a discount to the retail price, resulting in lower gross profit margin. They increased to 61.6% and 60.8% respectively for the six months ended 30 June 2012, primarily due to the increase in the selling price of our products coupled with a decrease in the cost of raw materials. The gross profit margin of other home accessories fluctuated during the Track Record Period, primarily due to a different contribution of a variety of products with different gross profit margin.

Our gross profit growth decreased from 37.6% for the year ended 31 December 2010 to 27.9% for the year ended 31 December 2011, primarily due to our higher growth in cost of goods sold for the year ended 31 December 2011. It further decreased to 8.6% for the six months ended 30 June 2012, primarily due to our slower growth in sales as the result of the economic downturn.

The table below sets forth our gross profit and gross profit margin by sales channel for the periods indicated:

	Year ended 31 December						**Six months ended 30 June**			
	2009		**2010**		**2011**		**2011**		**2012**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Self-operated retail sales(1)	119,735	60.0	169,686	66.7	217,252	65.9	96,394	65.4	101,744	67.0
Sales to distributors	11,874	39.0	11,702	37.3	15,149	35.2	6,439	37.2	15,455	43.1
Others(2)	12,575	34.3	17,006	43.1	21,348	37.1	13,387	39.4	9,047	47.3
Total	144,184	54.1	198,394	61.0	253,749	59.0	116,220	58.5	126,246	61.0

Notes:

(1) The gross profit margin for self-operated concession counters and self-operated stand-alone retail stores is similar due to their similar product mix, similar per unit cost of goods sold and unified selling retail price.

(2) "Others" includes sales to wholesale customers in Hong Kong and the PRC and also exports to overseas customers.

During the Track Record Period, gross profit margin from self-operated retail sales increased from approximately 60.0% for the year ended 31 December 2009 to approximately 66.7% for the year ended 31 December 2010, primarily due to a more significant increase in the per unit average selling price of our products sold via our self-operated retail sales channel. Gross profit margin of sales to distributors decreased from approximately 39.0% for the year ended 2009 to approximately 37.3% for the year ended 2010 and to approximately 35.2% for the year ended 2011, primarily due to the larger discount of the distribution price offered to our distributors. It then increased from approximately 37.2% for the six months ended 30 June 2011 to 43.1% for the six months ended 30 June 2012 primarily due to the increase in the selling price of our products coupled with a decrease in cost of raw materials. The increase in gross profit margin for others from 34.3% for the year ended 31 December 2009 to 43.1% for the year ended 31 December 2010 was primarily due to the increase in the selling price of our products. The increase in gross profit margin for others from 39.4% for the six months ended 30 June 2011 to 47.3% for the six months ended 30 June 2012 was primarily due to the one-time and non-recurring bulk-purchase agreement with a wholesale customer for the six months ended 30 June 2011. Gross profit margin of total sales increased from approximately 58.5% for the six months ended 30 June 2011 to approximately 61.0% for the six months ended 30 June 2012, primarily due to the increase in the selling price of our products coupled with a decrease in cost of raw materials.

Other Income

Other income primarily consists of interest income, government subsidies and dividend income from our available-for-sale investments in listed securities. Government subsidies recognised during the Track Record Period were related to the acquisition of accounting software and business encouragement, with no conditions or obligations. Other income was HK$0.7 million, HK$1.3 million, HK$0.8 million and HK$0.7 million for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively.

Other Gains and Losses

Other gains and losses primarily consist of gain on disposal of our available-for-sale investments and gain on disposal of property, plant and equipment. Other gains and losses was HK$3.3 million, HK$3.8 million, HK$8.5 million and HK$3.4 million for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively.

Selling and Distribution Costs

Selling and distribution costs primarily consist of commission and rebate costs, staff costs and advertising and promotion costs. Selling and distribution costs were HK$99.3 million, HK$131.6 million, HK$161.5 million and HK$78.9 million for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. The table below sets forth our selling and distribution costs for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Commission & rebate	48,748	67,472	80,944	36,842	35,408[1]
Staff costs	22,059	27,765	33,253	16,739	19,990
Advertising & promotion	13,758	17,857	23,492	10,154	10,131
Rent and rates	3,777	5,377	6,611	3,146	3,556
Transportation & freight charges	4,232	4,982	5,397	2,437	2,092
Repair and maintenance	1,842	1,823	2,550	1,069	3,097
Licence fee & royalty	1,373	1,845	2,172	878	1,300
Others[2]	3,498	4,485	7,051	3,698	3,359
Total	99,287	131,606	161,470	74,963	78,933

Notes:

(1) The decrease in commission and rebate costs for the six months ended 30 June 2012 was primarily due to (i) the decrease in revenue from our concession counters for the six months ended 30 June 2012 compared to the same period in 2011 and (ii) the slight decrease in effective rate of commission and rebate, as our commission rate and revenue vary between different concession counters and fluctuate between different time.

(2) "Others" primarily includes travelling expenses, entertainment expenses, utility charges, building management fees, and miscellaneous expenses.

The increase in selling and distribution costs during the Track Record Period was primarily due to (i) an increase in concessionaire commission and rebate as a result of the increase in revenue generated from our self-operated concession counters; (ii) an increase in advertising and promotional costs; (iii) an increase in staff costs as a result of the increase in the number of our sales staff due to the expansion of our sales network; and (iv) an increase in repair and maintenance costs incurred by our concession counters and stand-alone retail stores.

Administrative Expenses

Administrative expenses primarily consist of staff costs, directors' remuneration and depreciation and amortisation. Administrative expenses were HK$22.5 million, HK$32.5 million, HK$43.7 million and HK$23.0 million for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. The table below sets forth our administrative expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Staff costs	8,824	11,498	16,570	7,438	8,334
Depreciation & amortisation	3,312	4,838	6,530	3,217	2,737
Directors' remuneration	2,453	4,092	5,067	2,155	2,988
Rent and rates	592	998	2,996	1,368	1,468
Bank charges	558	1,027	1,395	701	738
Utility charges	1,203	1,036	1,021	458	528
Auditors' remuneration	72	1,546	641	300	308
Others[(1)]	5,508	7,481	9,506	4,398	5,938
Total	22,522	32,516	43,726	20,035	23,039

Note:

(1) "Others" primarily includes office expenses, entertainment expenses, travelling expenses, legal and professional fees, building management fees and miscellaneous expenses.

The increase in administrative expenses during the Track Record Period was primarily due to (i) an increase in staff costs; (ii) an increase in depreciation and amortisation; and (iii) an increase in directors' remuneration.

Finance Costs

Finance costs primarily consist of interest charges on our bank borrowings, bank overdrafts and finance leases.

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interest on:					
Bank borrowings wholly repayable within five years	350	464	725	345	445
Bank overdrafts	–	64	29	27	–
Finance leases	42	39	76	44	23
	392	567	830	416	468

Taxation

We are subject to taxation on entity basis on profit arising in or derived from the tax jurisdictions where our subsidiaries are domiciled and operated.

Under the new PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), promulgated by the National People's Congress on 16 March 2007, effective 1 January 2008, the PRC adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises). Most of our operating subsidiaries in the PRC were subject to a statutory tax rate of 25% during the Track Record Period, except for Forcetech (Shenzhen), which was under an applicable EIT rate of 10%, 11%, 24% and 25% for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively, due to a 50% reduction on the FEIT in 2009 and 2010. Our subsidiaries in Hong Kong were subject to 16.5% profit tax during the Track Record Period. We had not been subject to any corporate income tax in the Cayman Islands and the BVI.

Our effective tax rate was approximately 16.2%, 15.4%, 19.7% and 28.0% for the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. Our effective tax rate increased to 19.7% for the year ended 31 December 2011 from 15.4% for the year ended 31 December 2010, primarily due to the expiration of a 50% reduction of the FEIT applicable to a PRC subsidiary, in 2011. It further increased to 28.0% for the six months ended 30 June 2012, mainly due to the non-deductible listing expenses during the six months ended 30 June 2012.

RESULTS OF OPERATIONS

The following table sets forth selected combined statements of comprehensive income data during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this Prospectus.

	Year ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue	266,667	325,284	430,263	198,731	206,825
Cost of goods sold	(122,483)	(126,890)	(176,514)	(82,511)	(80,579)
Gross profit	144,184	198,394	253,749	116,220	126,246
Other income	688	1,304	841	378	680
Other gains and losses	3,303	3,794	8,519	(563)	3,369
Selling and distribution costs	(99,287)	(131,606)	(161,470)	(74,963)	(78,933)
Administrative expenses	(22,522)	(32,516)	(43,726)	(20,035)	(23,039)
Share of loss of an associate	(5)	(4)	–	–	–
Finance costs	(392)	(567)	(830)	(416)	(468)
Listing expenses	–	–	–	–	(9,414)
Profit before taxation	25,969	38,799	57,083	20,621	18,441
Taxation	(4,194)	(5,969)	(11,219)	(4,384)	(5,155)
Profit for the year or period	21,775	32,830	45,864	16,237	13,286
Other comprehensive income (expense) for the year or period	2,840	(232)	5,703	2,320	(1,390)
Total comprehensive income for the year or period	24,615	32,598	51,567	18,557	11,896
Profit for the year or period attributable to owners of the Company	21,775	32,830	45,864	16,237	13,286
Total comprehensive income for the year or period attributable to owners of the Company	24,615	32,598	51,567	18,557	11,896

Period to Period Comparison of Results of Operations

Six months ended 30 June 2012 compared to six months ended 30 June 2011

Revenue

Revenue increased by approximately 4.1% to HK$206.8 million for the six months ended 30 June 2012 from HK$198.7 million for the six months ended 30 June 2011, primarily due to the increase in revenue generated from sales to our distributors in regionally significant cities in the PRC, the effect of which was partially offset by the decrease in sales to wholesale customers in the first half of 2012 as there was a one-time and non-recurring bulk-purchase agreement with a wholesale customer in the first half of 2011.

Cost of Goods Sold

Cost of goods sold decreased slightly by 2.3% to HK$80.6 million for the six months ended 30 June 2012 from HK$82.5 million for the six months ended 30 June 2011, primarily due to the decrease in the cost of raw materials from HK$47.3 million for the six months ended 30 June 2011 to HK$43.0 million for the six months ended 30 June 2012 due to the decrease in the unit price of raw materials, which was partially offset by the increase in the cost of purchasing outsourced products, from HK$28.8 million for the six months ended 30 June 2011 to HK$31.1 million for the six months ended 30 June 2012.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by approximately 8.6% to HK$126.2 million for the six months ended 30 June 2012 from HK$116.2 million for the six months ended 30 June 2011. Gross profit margin increased to approximately 61.0% for the six months ended 30 June 2012 from approximately 58.5% for the six months ended 30 June 2011 primarily due to the increase in the selling price of our products coupled with a decrease in the cost of raw materials.

Other Income

Other income increased by approximately 79.9% to HK$0.7 million for the six months ended 30 June 2012 from HK$0.4 million for the six months ended 30 June 2011. The increase was mainly due to the increase in interest income, from HK$0.1 million for the six months ended 30 June 2011 to HK$0.4 million for the six months ended 30 June 2012, which is primarily attributable to higher interest income from our PRC subsidiary.

Other Gains and Losses

Other gains and losses for the six months ended 30 June 2012 amounted to HK$3.4 million, represented an improvement of HK$4.0 million from other losses of HK$0.6 million for the six months ended 30 June 2011. The improvement was primarily attributable to a gain on disposal of Wealth Pine, our subsidiary prior to the Reorganisation, in an amount of HK$4.2 million, as a result of the Reorganisation in preparation for the Listing. For further details, please refer to the section headed "History, Reorganisation and Group Structure – Reorganisation" in this Prospectus.

Selling and Distribution Costs

Selling and distribution costs increased by approximately 5.3% to HK$78.9 million for the six months ended 30 June 2012 from HK$75.0 million for the six months ended 30 June 2011. The increase was primarily due to (i) the increase in staff costs by approximately HK$3.3 million, primarily attributable to the increase of sales staffs; and (ii) the increase in repair and maintenance costs by approximately HK$2.0 million incurred by our concession counters and stand-alone retail stores and partially offset by the slight decrease of approximately HK$1.4 million in commission and rebate for our revenue of concession counters.

Administrative Expenses

Administrative expenses increased by approximately 15.0% to HK$23.0 million for the six months ended 30 June 2012 from HK$20.0 million for the six months ended 30 June 2011. The increase was primarily due to an increase in staff costs of approximately HK$0.9 million due to the increase in headcount, an increase in directors' remuneration of approximately HK$0.8 million, an increase in computer software expenses of approximately HK$0.5 million, and the increase in stamp duty of HK$0.9 million related to our disposal of Wealth Pine.

Finance Costs

Finance costs slightly increased to HK$0.5 million for the six months ended 30 June 2012 as compared with HK$0.4 million for the six months ended 30 June 2011, which was primarily attributable to an increase in bank loan interest as a result of additional drawdown on bank borrowings raised for working capital in general bank borrowings that partially offset by a decrease in interest on finance leases. For further details, please refer to the paragraph headed "Indebtedness" in this section of this Prospectus.

Taxation

Income tax expenses increased slightly to HK$5.2 million for the six months ended 30 June 2012 from HK$4.4 million for the six months ended 30 June 2011. The increase was mainly due to an increase in the profit before tax and listing expenses which are non-deductible for tax purposes, for the six months ended 30 June 2012. Our effective tax rate increased to 28.0% for the six months ended 30 June 2012 from 21.3% for the six months ended 30 June 2011, mainly due to the non-deductible listing expenses during the six months ended 30 June 2012.

Profit for the Period

Profit for the period decreased by approximately 18.2% to HK$13.3 million for the six months ended 30 June 2012 as compared with HK$16.2 million for the six months ended 30 June 2011. The decrease was mainly due to the foregoing factors and the listing expenses of HK$9.4 million incurred for our Global Offering for the six months ended 30 June 2012.

Year ended 31 December 2011 compared to year ended 31 December 2010

Revenue

Revenue increased by approximately 32.3% to HK$430.3 million for the year ended 31 December 2011 from HK$325.3 million for the year ended 31 December 2010, primarily due to (i) an increase in the same store sales in our self-operated points of sale by HK$46.2 million; (ii) an increase in revenue generated from sales to our distributors, from HK$31.4 million for the year ended 31 December 2010 to HK$43.0 million, primarily due to the expansion of our distributor-operated sales network in other regionally significant cities in the PRC; and (iii) we have also entered into a one-time and non-recurring bulk-purchase agreement with one wholesale customer which amounted to approximately HK$18.1 million.

Despite the decrease of production volume from 1.2 million for the year ended 31 December 2010 to 0.8 million for the year ended 31 December 2011, our outsourced products increased from 10.8% for the year ended 31 December 2010 to 30.4% for the year ended 31 December 2011 of cost of goods sold, which resulted in an actual overall increase in production as well as revenue for the year ended 31 December 2011.

Cost of Goods Sold

Cost of goods sold increased by approximately 39.1% to HK$176.5 million for the year ended 31 December 2011 from HK$126.9 million for the year ended 31 December 2010, primarily due to (i) the increase in our sales volume and (ii) the increase in proportion of outsourced products sold.

During the year ended 31 December 2011, the purchase cost of outsourced products increased by approximately HK$40.0 million (or approximately 292.5%) primarily due to the change of our product mix by offering more down duvets and silk duvets which we primarily rely on our external manufacturers to produce.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by approximately 27.9% to HK$253.7 million for the year ended 31 December 2011 from HK$198.4 million for the year ended 31 December 2010. Gross profit margin decreased slightly to approximately 59.0% for the year ended 31 December 2011 from approximately 61.0% for the year ended 31 December 2010 primarily due to (i) the increase of outsourced products sold as discussed above; (ii) the increase in annual average price of raw materials for the year ended 31 December 2011, as compared to that for the year ended 31 December 2010; (iii) the conversion of 9 self-operated points of sale to distributor-operated points of sale, to whom we sold our products at a discount to the retail price, resulting in lower gross profit margin; and (iv) we have entered into a one-time and non-recurring bulk-purchase agreement with one wholesale customer which accounted for approximately 4.2% of our total revenue for the year ended 31 December 2011 at wholesale discount. The decrease in gross profit margin was slightly offset by an increase in gross profit margin in our other home accessories products.

Other Income

Other income decreased by approximately 35.5% to HK$0.8 million for the year ended 31 December 2011 from HK$1.3 million for the year ended 31 December 2010. The decrease was mainly due to the decrease in dividend income from our investments in listed securities.

Other Gains and Losses

Other gains and losses increased by approximately 124.5% to HK$8.5 million for the year ended 31 December 2011 from HK$3.8 million for the year ended 31 December 2010. The increase was mainly due to (i) a one-time and non-recurring gain on disposal of property, plant and equipment and (ii) gain on the disposal of our investment in an associate to an Independent Third Party. The increase of gain on disposal of property, plant and equipment from HK$0.9 million for the year ended 31 December 2010 to HK$6.6 million for the year ended 31 December 2011 was primarily due to the disposal of a directors' quarter amounting to HK$6.5 million to an Independent Third Party during the year ended 31 December 2011.

Selling and Distribution Costs

Selling and distribution costs increased by approximately 22.7% to HK$161.5 million for the year ended 31 December 2011 from HK$131.6 million for the year ended 31 December 2010. The increase was primarily due to (i) an increase in commission and rebate costs by HK$13.5 million as a result of an increase in revenue from our concession counters, (ii) an increase in advertising and promotional costs by approximately HK$5.6 million and (iii) an increase in staff costs by HK$5.5 million due to an increase in the number of our sales staff as a result of the expansion of our sales network.

Administrative Expenses

Administrative expenses increased by approximately 34.5% to HK$43.7 million for the year ended 31 December 2011 from HK$32.5 million for the year ended 31 December 2010. The increase was primarily due to an increase in staff costs, depreciation and amortisation, rent and rates and other expenses.

Finance Costs

Finance costs increased slightly to HK$0.8 million for the year ended 31 December 2011 from HK$0.6 million for the year ended 31 December 2010. The increase was primarily due to an increase in bank borrowings (including bank overdrafts) from HK$35.3 million as at 31 December 2010 to HK$57.4 million as at 31 December 2011. For further details, please refer to the paragraph headed "Indebtedness" in this section of this Prospectus.

Taxation

Income tax expenses increased to HK$11.2 million for the year ended 31 December 2011 from HK$6.0 million for the year ended 31 December 2010. The increase was mainly due to an increase in the profit before tax for the year ended 31 December 2011. Our effective tax rate increased to 19.7% for the year ended 31 December 2011 from 15.4% for the year ended 31 December 2010, primarily due to the expiration of a 50% reduction of the FEIT applicable to a PRC subsidiary, in 2011.

Profit for the Year

As a result of the foregoing factors, profit for the year increased by approximately 39.7% to HK$45.9 million for the year ended 31 December 2011 from HK$32.8 million for the year ended 31 December 2010.

Year ended 31 December 2010 compared to year ended 31 December 2009

Revenue

Revenue increased by approximately 22.0% to HK$325.3 million for the year ended 31 December 2010 from HK$266.7 million for the year ended 31 December 2009, primarily due to (i) an increase in the average selling price of our products due to the increase in cost of raw materials and finished goods; and (ii) an increase in sales volume of our products, especially a substantial increase in sales of Elle Deco products from HK$14.3 million in 2009 to HK$35.5 million in 2010, representing an increase of 148.3%.

Cost of Goods Sold

Cost of goods sold increased by approximately 3.6% to HK$126.9 million for the year ended 31 December 2010 from HK$122.5 million for the year ended 31 December 2009, primarily due to an increase in the cost of raw materials consumed as a result of an increase in raw materials prices and an increase in product volume.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by approximately 37.6% to HK$198.4 million for the year ended 31 December 2010 from HK$144.2 million for the year ended 31 December 2009. Gross profit margin increased to approximately 61.0% for the year ended 31 December 2010 from approximately 54.1% for the year ended 31 December 2009, primarily due to (i) a more significant increase in per unit average selling price of our products than our cost of goods sold, (ii) an increase in sales from our self-operated points of sale which generally gain a higher gross profit margin and (iii) an increase in sales of our higher margin products such as bed linens and duvets.

Other Income

Other income increased to HK$1.3 million for the year ended 31 December 2010 from HK$0.7 million for the year ended 31 December 2009. The increase was primarily due to a write-back of other payables amounted to HK$0.6 million.

Other Gains and Losses

Other gains and losses increased by approximately 14.9% to HK$3.8 million for the year ended 31 December 2010 from HK$3.3 million for the year ended 31 December 2009. The gain was primarily due to a gain on the disposal of our investments in listed securities held by us. The decrease of gain on disposal of property, plant and equipment from HK$5.0 million for the year ended 31 December 2009 to HK$0.9 million for the year ended 31 December 2010 was primarily due to the disposal of a directors' quarter amounting to HK$4.8 million to an Independent Third Party during the year ended 31 December 2009.

Selling and Distribution Costs

Selling and distribution costs increased by approximately 32.6% to HK$131.6 million for the year ended 31 December 2010 from HK$99.3 million for the year ended 31 December 2009. The increase was primarily due to (i) an increase in the commission and rebate costs of HK$18.7 million as a result of an increase in the sales in our self-operated concession counters, (ii) an increase in staff costs of HK$5.7 million due to an increase in the number of our sales staff as a result of the expansion of our sales network and (iii) an increase in advertising and promotional costs of HK$4.1 million.

Administrative Expenses

Administrative expenses increased by approximately 44.4% to HK$32.5 million for the year ended 31 December 2010 from HK$22.5 million for the year ended 31 December 2009. The increase was primarily due to an increase in staff cost, directors' remuneration, depreciation and amortisation, rent and rates and other expenses.

Finance Costs

Finance costs increased slightly to HK$0.6 million for the year ended 31 December 2010 from HK$0.4 million for the year ended 31 December 2009. The increase was primarily due to an increase in bank borrowings (including bank overdrafts) from HK$3.3 million as at 31 December 2009 to HK$35.3 million as at 31 December 2010. For further details, please refer to the paragraph headed "Indebtedness" in this section of this Prospectus.

Taxation

Income tax expense increased to HK$6.0 million for the year ended 31 December 2010 from HK$4.2 million for the year ended 31 December 2009. The increase was mainly due to an increase in profit before tax for the year ended 31 December 2010. Our effective tax rate slightly decreased to 15.4% for the year ended 31 December 2010 from 16.2% for the year ended 31 December 2009. The decrease was primarily due to the utilisation of tax losses brought forward of a PRC subsidiary, which its applicable EIT rate is 25%, amounting to RMB7.3 million for the year ended 31 December 2010.

Profit for the Year

As a result of the foregoing factors, profit for the year increased by approximately 50.8% to HK$32.8 million for the year ended 31 December 2010 from HK$21.8 million for the year ended 31 December 2009.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our working capital, capital expenditure and other capital requirements primarily through a combination of cash generated from our operations, bank borrowings and overdrafts. For our current level of indebtedness, please refer to the paragraph headed "Indebtedness" in this section of this Prospectus.

Our principal uses of cash have been, and is expected to continue to be, operating costs, and capital expenditures.

Cash Flows

The following table sets forth a condensed summary of our combined statements of cash flows for the Track Record Period, as derived from the Accountants' Report set out in Appendix I to this Prospectus.

	Year ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Net cash generated from/(used in) operating activities	20,119	(8,560)	47,002	43,968	4,774
Net cash used in investing activities	(2,766)	(6,606)	(13,284)	(4,056)	(45,810)
Net cash generated from financing activities	3,530	22,332	13,898	11,710	12,142
Net increase/(decrease) in cash and cash equivalents	20,883	7,166	47,616	51,622	(28,894)
Cash and cash equivalents at beginning of year or period	28,924	49,815	57,744	57,744	107,050
Effect of foreign exchange rate changes	8	763	1,690	1,234	(287)
Cash and cash equivalents at the end of year/period	49,815	57,744	107,050	110,600	77,869

Net Cash Generated From/(Used In) Operating Activities

Net cash generated from operating activities of HK$4.8 million for the six months ended 30 June 2012 mainly comprised operating cash inflow before movements in working capital of HK$19.5 million, adjusted for a net cash outflow resulted from an increase in working capital amounted to HK$5.9 million. The net working capital outflow was primarily attributable to a decrease in trade and other payables of HK$32.6 million, the effect of which was partially offset by a decrease in trade and other receivables and inventories of HK$18.5 million and HK$8.5 million, respectively.

Net cash generated from operating activities of HK$47.0 million for the year ended 31 December 2011 mainly comprised operating cash inflow before movements in working capital of HK$54.9 million, adjusted for a net cash outflow resulted from an increase in working capital amounted to HK$3.2 million. The net working capital outflow was primarily attributable to an increase in trade and other receivables and inventories of HK$14.2 million and HK$8.3 million, respectively, the effect of which was partially offset by an increase in trade and other payables of HK$20.5 million.

Net cash used in operating activities of HK$8.6 million for the year ended 31 December 2010 mainly comprised operating cash inflow before movements in working capital of HK$39.9 million, adjusted for a net cash outflow resulted from an increase in working capital amounted to HK$44.9 million. The net working capital outflow was primarily attributable to an increase in inventories, including raw materials and finished goods, in anticipation of the increase in the price of raw materials as well as increases in trade and other receivables of HK$34.3 million and HK$21.7 million, respectively, the effect of which was partially offset by an increase in trade and other payables of HK$10.9 million.

Net cash generated from operating activities of HK$20.1 million for the year ended 31 December 2009 mainly comprised operating cash inflow before movements in working capital of HK$26.5 million, adjusted for a net cash outflow resulted from an increase in working capital amounted to HK$5.0 million. The net working capital outflow was primarily attributable to an increase in trade and other receivables and a decrease in trade and other payables by HK$5.4 million and HK$1.6 million, respectively, the effect of which was partially offset by a decrease in inventories of HK$3.2 million.

Net Cash Used In Investing Activities

Net cash used in investing activities of HK$45.8 million for the six months ended 30 June 2012 mainly comprised cash outflows resulted from the purchase of property, plant and equipment amounted to HK$46.2 million, partially offset by cash inflows from the proceeds from the disposal of property, plant and equipment, and interest received amounted to HK$0.6 million and HK$0.4 million, respectively.

Net cash used in investing activities of HK$13.3 million for the year ended 31 December 2011 mainly comprised cash outflows resulted from the purchase of leasehold land and property, plant and equipment amounted to HK$29.2 million and HK$10.2 million, respectively, partially offset by cash inflows from the proceeds from the disposal of property, plant and equipment, the repayment from an associate and proceeds from the disposal of an associate amounted to HK$13.0 million, HK$9.0 million and HK$3.5 million, respectively.

Net cash used in investing activities of HK$6.6 million for the year ended 31 December 2010 mainly comprised cash outflows resulted from the purchase of property, plant and equipment amounted to HK$46.3 million, partially offset by cash inflows from the proceeds from the disposal of property, plant and equipment, the withdrawal of fixed deposits and the proceeds from the disposal of available-for-sale investments amounted to HK$19.4 million, HK$10.1 million and HK$9.9 million, respectively.

Net cash used in investing activities of HK$2.8 million for the year ended 31 December 2009 mainly comprised cash outflows resulting from the repayment from an associate, the purchase of property, plant and equipment and acquisition of investment in an associate amounted to HK$9.0 million, HK$2.7 million and HK$1.5 million, respectively, partially offset by cash inflow from the proceeds from disposal of property, plant and equipment of HK$10.4 million.

Net Cash Generated From Financing Activities

Net cash generated from financing activities of HK$12.1 million for the six months ended 30 June 2012 mainly comprised cash inflows from new bank loans raised amounted to HK$52.8 million, partially offset by cash outflows in relation to repayments of bank borrowings, dividend payments and repayments to directors amounted to HK$20.4 million, HK$14.0 million and HK$4.7 million, respectively.

Net cash generated from financing activities of HK$13.9 million for the year ended 31 December 2011 mainly comprised cash inflows from new bank loans raised and advances from related companies amounted to HK$54.3 million and HK$12.3 million, partially offset by cash outflows in relation to repayments for bank borrowings, repayments to related companies and dividend payments amounted to HK$29.3 million, HK$13.6 million and HK$8.0 million, respectively.

Net cash generated from financing activities of HK$22.3 million for the year ended 31 December 2010 mainly comprised cash inflows from new bank loans raised amounted to HK$33.5 million, partially offset by cash outflows in relation to repayments made to related companies and repayments for bank borrowings amounted to HK$7.7 million and HK$4.6 million, respectively.

Net cash generated from financing activities of HK$3.5 million for the year ended 31 December 2009 mainly comprised cash inflows from advances from related companies amounted to HK$11.4 million, partially offset by repayments for bank borrowings and repayments to related companies amounted to HK$4.9 million and HK$2.2 million, respectively.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including the estimated net proceeds of the Global Offering, the available credit facilities and our internally generated funds, our Directors believe that the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this Prospectus.

Current Assets and Liabilities

The table below sets forth our current assets, current liabilities and net current assets as at the dates indicated.

	As at 31 December			As at 30 June	As at 30 September
	2009	**2010**	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CURRENT ASSETS					
Inventories	33,333	69,486	80,879	70,128	76,030
Trade and other receivables	44,095	66,552	82,231	62,897	70,734
Prepaid lease payments	–	–	597	592	598
Amounts due from directors	16	87	–	–	–
Taxation recoverable	–	–	158	283	94
Fixed deposit held at a bank with maturity over three months	10,080	–	–	–	–
Bank balances and cash	49,815	60,796	107,050	77,869	51,393
Total current assets	137,339	196,921	270,915	211,769	198,849
CURRENT LIABILITIES					
Trade and other payables	35,456	47,966	68,853	35,812	44,016
Amounts due to related companies	65,231	58,816	57,503	76	–
Amounts due to directors	3,362	4,506	4,714	–	–
Taxation payable	1,710	3,807	11,343	7,661	8,083
Bank borrowings	1,993	32,274	57,395	58,583	49,125
Obligations under finance leases	404	965	790	808	609
Bank overdrafts	–	3,052	–	–	–
Total current liabilities	108,156	151,386	200,598	102,940	101,833
NET CURRENT ASSETS	29,183	45,535	70,317	108,829	97,016

INVENTORIES

Our inventories consist primarily of raw materials and finished goods. The following table sets forth a summary of our inventory balance as at the dates indicated:

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	9,219	21,466	8,190	4,246
Work in progress	653	417	–	–
Finished goods	23,461	47,603	72,689	65,882
Total inventories	33,333	69,486	80,879	70,128

Inventories of raw materials increased significantly from HK$9.2 million as at 31 December 2009 to HK$21.5 million as at 31 December 2010, primarily due to an increase in the purchase of raw materials towards the end of the year, in anticipation of an increase in the cost of raw materials. Inventories of raw materials decreased significantly from HK$21.5 million as at 31 December 2010 to HK$8.2 million as at 31 December 2011, returning to its usual level in the absence of any stocking up of raw materials. Inventories of raw materials continued to decrease to HK$4.2 million as at 30 June 2012, due to our consumption of raw materials that existed as at 31 December 2011 and the decrease in our purchase of raw materials, as well as the typical lower level of our consumption of raw materials in summer.

Inventories of finished goods increased significantly from HK$23.5 million as at 31 December 2009 to HK$47.6 million as at 31 December 2010, and further increased to HK$72.7 million as at 31 December 2011, primarily due to the expansion of our self-operated points of sale. Inventories of finished goods decreased to HK$65.9 million as at 30 June 2012 due to the typical lower sales of our bedding products in summer.

Inventory Turnover Days

	Year ended 31 December			Six months ended 30 June
	2009	**2010**	**2011**	**2012**
Inventory turnover days[1]	104.2	147.9	155.5	171.5

Note:

(1) Inventory turnover days is equal to the average of the opening and closing balances of inventory divided by cost of goods sold for the year or period and multiplied by 365 for the years ended 31 December 2009, 2010 and 2011, and by 183 for the six months ended 30 June 2012.

Inventory turnover days increased significantly from 104.2 days for the year ended 31 December 2009 to 147.9 days for the year ended 31 December 2010 primarily due to (i) the increased purchasing of raw materials and finished goods in anticipation of an increase in the cost of raw materials and finished goods and (ii) the expansion of our sales network and the need to supply new and existing points of sale with sufficient inventories. Inventory turnover days slightly increased from 147.9 days for the year ended 31 December 2010 to 155.5 days for the year ended 31 December 2011, primarily due to the increase in finished goods as a result of the expansion of our sales network and the need to supply new and existing points of sale with sufficient inventories for the year ended 31 December 2011. Inventory turnover days increased to 171.5 days for the six months ended 30 June 2012, primarily due to the seasonal sale which is at a relatively moderate level in the first half of a year.

Age of Inventories

The following table is an aged analysis of our inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 6 months	29,552	62,344	60,003	48,405
6 to 12 months	3,781	6,753	16,964	12,996
over 12 months	–	389	3,912	8,727
Total	33,333	69,486	80,879	70,128

Inventories aged over 12 months increased from approximately HK$0.4 million as at 31 December 2010 to approximately HK$3.9 million as at 31 December 2011 and HK$8.7 million as at 30 June 2012. The increase was primarily attributable to the fact that bedding products by nature are not fast-moving and have a relatively long product life cycle. In addition, our management performs regular review of the carrying amounts of inventories with reference to aged analysis of inventories and projections of expected future saleability of goods. It is observed that the aged inventories are not obsolete and should not have any material negative impact on our inventory management.

In determining provision on inventories, our management performs regular review of the carrying amounts of inventories with reference to aged analysis of inventories and projections of expected future saleability of goods, based on their experience and judgement. In particular, our management monitors closely the marketability and conditions of inventories aged over 12 months. We monitor our inventory levels on a monthly basis and the aging of inventory on a semi-annual basis, in order to reduce the risk of building up obsolete inventory. We also carry out physical stock counts on a periodic basis to identify obsolete and slow moving or damaged inventories. We sell excess out-of-season inventory in our self-operated points of sale, in conjunction with promotional activities during holidays or festivals and seasonal sales organised by department stores and home furnishing malls. We generally make provisions for obsolete and slow-moving inventories when they are aged for one year, or when the carrying amount of these inventories is lower than their net realisable value. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, net write-down on inventories with net amounts of approximately nil, nil, nil and HK$1.6 million, respectively.

For further information on our inventory management system, please refer to the section headed “Business – Inventory Management” in this Prospectus.

As at 30 September 2012, approximately 46.8% of our inventories as at 30 June 2012 had been sold/used.

TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$’000	*HK$’000*	*HK$’000*	*HK$’000*
Trade and bills receivables	40,183	57,021	71,970	47,016
Other receivables	3,912	9,531	10,261	15,881
Total trade and other receivables	44,095	66,552	82,231	62,897

Trade and Bills Receivables

Our trade and bills receivables are mainly due from department stores, home furnishing malls and distributors.

Sales proceeds from our self-operated points of sale located in department stores and home furnishing malls are normally collected and paid within a 30 to 75 days period after the sales of the products, while the terms of credit granted to our distributors are usually 60 days. There is no credit period for direct sales of our products from our stand-alone retail stores.

We periodically monitor and review the credit conditions of our department stores, home furnishing malls and distributors. Our management considers that we do not have significant credit risks in view of (i) the good credit history of those department stores, home furnishing malls and distributors, and (ii) the exposure of our trade receivables spreading across many different counterparties. We have provided full allowance for certain overdue receivables because our management has assessed the recoverability of each overdue receivable and determined that those receivables are generally not recoverable. The following table sets forth a summary of our trade and bills receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills receivables for self-operated points of sale	34,803	49,167	61,624	31,068
Trade and bills receivables for distributors	428	3,274	5,040	13,591
Trade and bills receivables for other customers	5,178	5,173	6,173	3,696
	40,409	57,614	72,837	48,355
Less: Allowance for doubtful debts	(226)	(593)	(867)	(1,339)[1]
Total trade and bills receivables	40,183	57,021	71,970	47,016

Note:

(1) Our allowance for doubtful debt increased by approximately HK$0.4 million to approximately HK$1.3 million as at 30 June 2012 from approximately HK$0.9 million as at 31 December 2011, primarily due to the allowance for approximately HK$0.3 million concessionaire commission in dispute with department stores in the PRC.

Our total trade and bills receivables increased from HK$40.2 million as at 31 December 2009 to HK$57.0 million as at 31 December 2010, and further increased to HK$72.0 million as at 31 December 2011. Total trade and bills receivables then dropped to HK$47.0 million as at the end of June 2012, primarily due to our typical lower sales in the first half of the year. The change of trade receivables was in line with the change of revenue during the Track Record Period. Our trade and bills receivables for distributors increased from HK$0.4 million as at 31 December 2009 to HK$3.3 million as at 31 December 2010, and further increased to HK$5.0 million as at 31 December 2011, and HK$13.6 million as at 30 June 2012. The increase in trade and bills receivables from distributors is primarily attributed to an increase in sales to distributors during the period coupled with an extended credit period up to 60 days for a total of 13 distributors that have an average of three years business relationship with us, which we received payments from them upon delivery of goods previously, in order to maintain a long-term relationship with them. As at 30 June 2012, the total receivables from these 13 distributors was an aggregate of HK$6.7 million.

Trade and Bills Receivables Turnover Days

	Year ended 31 December			Six months ended 30 June
	2009	**2010**	**2011**	**2012**
Trade and bills receivables turnover days[1]	50.3	54.5	54.7	52.6

Note:

(1) Trade and bills receivables turnover days are equal to the average of opening and closing trade and bills receivables balance divided by total revenue for the year/period and multiplied by 365 for the years ended 31 December 2009, 2010 and 2011, and by 183 for the six months ended 30 June 2012.

During the Track Record Period, trade and bills receivables turnover days increased slightly from 50.3 days for the year ended 31 December 2009 to 54.5 days for the year ended 31 December 2010, and remained stable at 54.7 days for the year ended 31 December 2011 and 52.6 days for the six months ended 30 June 2012.

Age of Trade and Bills Receivables

The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	27,163	39,690	44,261	32,018
31 to 60 days	9,733	12,253	21,169	4,901
61 to 90 days	1,982	4,610	4,530	7,638
91 to 180 days	690	453	1,396	1,456
181 to 365 days	566	15	488	1,003
Over 365 days	49	–	126	–
Total	40,183	57,021	71,970	47,016

Trade and bills receivable balances aged over 90 days increased from approximately HK$0.5 million as at 31 December 2010 to approximately HK$2.0 million as at 31 December 2011, and to approximately HK$2.5 million as at 30 June 2012. Such aged balances mainly relate to amounts past due but not impaired from a number of independent customers provided with a credit term of 60 days, which include department stores, home furnishing malls and distributors that have a long track record with us.

Included in our trade and bills receivable balance are debtors with aggregate carrying amount of HK$6.0 million, HK$5.9 million, HK$10.6 million and HK$9.0 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively, which were past due as at the reporting date but for which we have not provided for impairment loss. Based on our historical experience, trade and bills receivables that are past due but not impaired are generally recoverable. We do not hold any collateral over these balances.

As at 30 September 2012, 81.2% of our trade and bills receivables as at 30 June 2012 had been settled.

Other Receivables

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Value added tax recoverable	154	1,060	3,504	1,654
Deposits(1)	1,520	2,983	2,335	2,460
Prepayments(2)	1,728	3,503	2,136	7,277
Prepaid listing expenses(3)	–	–	–	2,462
Disbursements in advance to employees	301	505	929	646
Others(4)	209	1,480	1,357	1,382
Total other receivables	3,912	9,531	10,261	15,881

Notes:

(1) "Deposits" consists of rental deposits paid to our landlords.

(2) "Prepayments" primarily includes prepayments of licence fees, medical insurance, rent and building management fees.

(3) "Prepaid listing expenses" primarily includes prepayment of fees to professional parties for our Global Offering, which would be offset against the share premium accounts in equity upon Listing.

(4) "Others" primarily includes other payments made in advance to our suppliers and other miscellaneous deposits.

Other receivables mainly consisted of value added tax recoverable for exports, rental and utilities deposits, prepayments made to our raw materials suppliers and disbursements made in advance to employees for business purposes. We employ strict measures on regulating the use of advances to employees, including (i) all the advances must be for business purposes and pre-approved by the senior management and the Finance Department, (ii) only applications for advanced amounts over RMB3,000 (or equivalent) are accepted, (iii) advances must be paid out by the employees to the approved parties within 7 days from applications, and (iv) employees must submit invoices or receipts to the Finance Department for settlements after payments. As at 31 December 2009, 2010 and 2011 and 30 June 2012, our other receivables were HK$3.9 million, HK$9.5 million, HK$10.3 million and HK$15.9 million, respectively. The increase in other receivables during the Track Record Period was primarily attributable to (i) an increase in value added tax recoverable on our exports from the PRC; and (ii) the expansion of our operation, resulting in increases in deposits and prepayments made to department store operators and landlords in relation to our expanding sales network, and an increase in disbursements made in advance to our employees for business purposes in relation to the increase in number of staff.

AMOUNTS DUE FROM DIRECTORS

The table below sets forth the breakdown of amounts due from our directors as at the dates indicated.

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Cheng Sze Kin (鄭斯堅)	4	4	–	–
Mr. Cheng Sze Tsan (鄭斯燦)	7	78	–	–
Ms. Wong Pik Hung (王碧紅)	5	5	–	–
Total	16	87	–	–

Maximum amounts outstanding during the Track Record Period were as follows:

	Year ended 31 December			Six months ended 30 June
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Cheng Sze Kin (鄭斯堅)	4	4	413	–
Mr. Cheng Sze Tsan (鄭斯燦)	7	78	580	–
Ms. Wong Pik Hung (王碧紅)	5	5	414	–

The amounts were interest-free, unsecured and repayable on demand.

TRADE AND OTHER PAYABLES

The following table sets forth a summary of our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	25,077	24,093	35,523	18,101
Bills payables	–	9,055	11,233	1,673
Trade and bills payables	25,077	33,148	46,756	19,774
Other payables	10,379	14,818	22,097	16,038
Total trade and other payables	35,456	47,966	68,853	35,812

Trade and bills payables

Our trade and bills payables consist primarily of payables to our raw materials suppliers and external manufacturers. Our trade and bill payables increased from approximately HK$25.1 million as at 31 December 2009 to approximately HK$33.1 million as at 31 December 2010, and further increased to approximately HK$46.8 million as at 31 December 2011. The increase in our trade and bills payables was in line with the expansion of our operations. Our trade and bill payables decreased to approximately HK$19.8 million as at 30 June 2012 mainly due to our fewer purchases of raw materials and finished goods in first half of 2012.

Trade and Bills Payables Turnover Days

	Year ended 31 December			Six months ended 30 June
	2009	2010	2011	2012
Trade and bills payables turnover days(1)	73.1	83.7	82.6	75.5

Note:

(1) The trade and bills payables turnover days are equal to the average of the opening and closing balances of trade and bills payables divided by cost of goods sold for the year and multiplied by 365 for the years ended 31 December 2009, 2010 and 2011, and by 183 for the six months ended 30 June 2012.

Trade and bills payables turnover days increased from 73.1 days in 2009 to 83.7 days in 2010 primarily due to an increase in raw materials purchases in view of rising raw materials prices towards the end of 2010, which was not reflected in a corresponding increase in costs of goods sold as the raw materials had yet to be used. Trade and bills payables turnover days remained stable at 83.7 days in 2010 and 82.6 days in 2011. It decreased slightly to 75.5 days for the six months ended 30 June 2012, primarily due to the fewer purchases of raw materials in non-peak season.

Age of Trade and Bills Payables

The table below sets forth an aged analysis of our trade and bills payables based on the invoice date as at the end of each reporting period:

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	21,489	23,550	39,262	16,996
31 to 60 days	1,643	8,251	5,737	218
61 to 90 days	1,321	738	211	14
91 to 180 days	299	137	116	1,087
Over 180 days[1]	325	472	1,430	1,459
Total	25,077	33,148	46,756	19,774

Note:

(1) The increase in trade and bills payables aged over 180 days for the year ended 31 December 2011 was primarily attributable to an amount of approximately HK$1.0 million that was due to one of its external manufacturers for purchases of duvets. As at the Latest Practicable Date, we had settled over 95% of this amount with this external manufacturer.

Other payables

The following table sets forth the breakdown of our other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits received from customers	2,015	2,017	9,834	3,391
Accrued expenses	2,423	4,881	4,469	5,022
Salaries payables	2,065	2,671	3,308	2,554
Payable for acquisition of property, plant and equipment	–	966	–	–
Others[(1)]	3,876	4,283	4,486	5,071
Total	10,379	14,818	22,097	16,038

Note:

(1) "Others" primarily includes VAT payables, deposits received under distributorship agreements, and commissions payable to department stores.

During the Track Record Period, other payables mainly consisted of deposits received from customers, accrued expenses in relation to miscellaneous administrative expenses and salaries payables.

As at 31 December 2009, 2010 and 2011, our other payables were HK$10.4 million, HK$14.8 million and HK$22.1 million, respectively. The increase in other payables was primarily attributable to increases in deposits received and accruals of salaries, bonus, audit fees, taxation service fees and other expenses. Our other payables decreased to HK$16.0 million as at 30 June 2012 due to the decreases in deposits received and accruals of salaries. The decrease in deposits received from the year ended 31 December 2011 to the six months ended 30 June 2012 was primarily due to more orders from distributors at the end of 2011 and before the coming Chinese New Year, which returned to normal levels during the first half of 2012.

Amounts due to related companies

The following table sets out the outstanding balances with related companies as at the dates indicated:

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due to related parties				
Shenzhen Fusheng	–	–	164	76
Cheer Win Trading Limited	65,231	58,816	57,339	–
Total	65,231	58,816	57,503	76

The amounts were interest-free, unsecured and repayable on demand. The amounts due to Cheer Win Trading Limited were primarily used for general working capital and to purchase real property. As at 30 June 2012, such amounts had been settled in full. The amounts due to Shenzhen Fusheng were rental payables under the Shenzhen Lease Agreements.

Amounts due to directors

The following table sets out the outstanding balances with our Directors as at the dates indicated:

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due to directors				
Mr. Cheng Sze Kin (鄭斯堅)	3,079	3,936	3,423	–
Mr. Cheng Sze Tsan (鄭斯燦)	283	332	1,042	–
Ms. Wong Pik Hung (王碧紅)	–	238	249	–
Total	3,362	4,506	4,714	–

The borrowings from Directors were primarily for providing general working capital to our PRC subsidiaries. As at 30 June 2012, such amounts due to Directors had been settled in full.

Bank borrowings

The following table sets forth our bank borrowings as at the dates indicated:

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured	3,271	26,828	53,086	64,522
Unsecured	–	5,446	4,309	3,726
	3,271	32,274	57,395	68,248
Carrying amount repayable[1]				
Within one year	1,993	6,916	22,434	15,886
More than one year, but not more than two years	1,278	–	–	1,234
More than two years, but not more than five years	–	–	–	4,935
More than five years	–	–	–	3,496
	3,271	6,916	22,434	25,551
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)	–	25,358	34,961	42,697
	3,271	32,274	57,395	68,248
Less: Amounts due within one year shown under current liabilities	(1,993)	(32,274)	(57,395)	(58,583)
Amounts shown under non-current liabilities	1,278	–	–	9,665

Note:

(1) The amounts due were based on scheduled repayment dates set out in the loan agreements.

Our bank borrowings increased from HK$3.3 million as at 31 December 2009 to HK$32.3 million as at 31 December 2010 and further increased to HK$57.4 million as at 31 December 2011. As at 30 June 2012, our bank borrowings amounted to HK$68.2 million, primarily comprising a term loan of HK$55.5 million for the construction of our Huizhou Production Facility and other loans of HK$12.7 million for our general working capital. The increase in our bank borrowings during the Track Record Period was primarily attributable to bank loans raised for the acquisition of the property House No. A25, Constellation Cove, Tai Po by Wealth Pine in the year ended 31 December 2010, and bank loans raised to finance the construction of our Huizhou Production Facility in the year ended 31 December 2011 and the six months ended 30 June 2012. Our interest rate on variable rate borrowings were 5.84% to 6.34% for the year ended 31 December 2009, 0.72% to 3.57% for the year ended 31 December 2010, 0.95% to 3.57% for the year ended 31 December 2011 and 1.78% to 7.48% for the six months ended 30 June 2012. As at 30 June 2012, the bank loan raised for the acquisition of the property by Wealth Pine was fully disposed of since Wealth Pine, together with its assets and liabilities, was sold by the Group during the Reorganisation.

During the Track Record Period and up to the Latest Practicable Date, there had not been any incident when we had difficulties in obtaining financing.

Obligations under finance leases

	Minimum lease payments				**Present value of minimum lease payments**			
	As at 31 December			**As at 30 June**	**As at 31 December**			**As at 30 June**
	2009	**2010**	**2011**	**2012**	**2009**	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:								
Within one year	428	1,042	827	827	404	965	790	808
More than one year but not more than two years	215	827	413	–	212	790	408	–
More than two years but not more than five years	–	413	–	–	–	408	–	–
Less: Future finance charges	(27)	(119)	(42)	(19)	N/A	N/A	N/A	N/A
Present value of lease obligations	616	2,163	1,198	808	616	2,163	1,198	808
Less: Amount due for settlement within one year (shown under current liabilities)					(404)	(965)	(790)	(808)
Amount due for settlement after one year					212	1,198	408	–

Obligations under finance leases represented finance leases on motor vehicles held under finance leases with lease term of 3 years as at 31 December 2009, 2010 and 2011 and 30 June 2012. Interest rates underlying obligations under finance leases were 2.75%, 1.88% to 2.75%, 1.88% and 1.88% per annum for the years ended 31 December 2009, 2010 and 2011 and for the six months ended 30 June 2012, respectively.

Bank overdrafts

During the Track Record Period, we maintained bank overdraft facilities in addition to term loans in order to enhance our flexibility in short-term financing. As at 31 December 2009, 2010 and 2011 and 30 June 2012, bank overdrafts amounted to approximately nil, HK$3.1 million, nil and nil, respectively, and were used primarily to finance our general working capital. Bank overdrafts were unsecured and carried interest at Hong Kong Prime Rate minus 0.75% per annum for the year ended 31 December 2010.

INDEBTEDNESS

At the close of business on 30 September 2012, being the latest practicable date for the purpose of this indebtedness statement, we had outstanding bank borrowings of approximately HK$75.8 million (of which HK$3.4 million was unsecured, HK$39.9 million was secured by fixed charges over certain of the Group's assets, including leasehold land and buildings and prepaid lease payments, HK$32.5 million was secured by a property owned by Gain Harvest, a related party, which will be released upon Listing). In addition, we had outstanding at that date secured obligations under a finance lease of approximately HK$0.6 million.

As at 30 September 2012, the total bank borrowings of approximately HK$47.4 million was secured by personal guarantees given by Mr. Cheng Sze Kin (鄭斯堅), Mr. Cheng Sze Tsan (鄭斯燦) and Ms. Wong Pik Hung (王碧紅) and such personal guarantees will be released upon Listing and the remaining indebtedness are unguaranteed.

As at 30 September 2012, we had unutilised banking facilities of HK$52.0 million out of the total banking facilities of HK$133.2 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, we did not have outstanding at the close of business on 30 September 2012 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

KEY FINANCIAL RATIOS

The following tables set forth our key financial ratios as at the dates or for the periods indicated.

	As at 31 December			As at 30 June
	2009	2010	2011	2012
Current ratio(1)	1.3	1.3	1.4	2.1
Quick ratio(2)	1.0	0.8	0.9	1.4
Gearing ratio(3)	3.9%	30.1%	35.6%	35.1%
Net debt to equity ratio(4)	net cash	net cash	net cash	net cash

Notes:

(1) Current ratio represents current assets divided by current liabilities at the end of each reporting period.

(2) Quick ratio represents current assets less inventories divided by current liabilities at the end of each reporting period.

(3) Gearing ratio represents total bank borrowings and bank overdrafts divided by total equity at the end of each reporting period.

(4) Net debt to equity ratio is calculated by dividing total bank borrowings and bank overdrafts net of cash and cash equivalents by total equity as at the end of each reporting period.

	Year ended at 31 December			Six months ended 30 June
	2009	2010	2011	2012
Net profit before interest and tax margin(1)	9.9%	12.1%	13.5%	9.1%
Net profit margin(2)	8.2%	10.1%	10.7%	6.4%
Interest coverage(3)	67.2	69.4	69.8	40.4
Return on equity(4)	25.7%	27.9%	28.5%	13.7%
Return on assets(5)	11.1%	12.1%	12.6%	8.6%

Notes:

(1) Net profit before interest and tax margin represents profit before interest and tax divided by revenue during each reporting period.

(2) Net profit margin represents profit for the year or period divided by revenue during each reporting period.

(3) Interest coverage represents profit before interest and tax divided by interest recognised during each reporting period.

(4) Return on equity is calculated by dividing profit/annualised profit for the year/period by total equity as at the end of each reporting period.

(5) Return on assets is calculated by dividing profit/annualised profit for the year/period by total assets as at the end of each reporting period.

Current ratio

As at 31 December 2009, 2010 and 2011 and 30 June 2012, our current ratio was 1.3, 1.3, 1.4 and 2.1, respectively. The exceptionally high current ratio as at 30 June 2012 was mainly attributable to a significant decrease in current liabilities primarily due to the decrease in trade and other payables as a result of fewer purchases of raw materials in non-peak season and settlement of amounts due to related companies by way of capitalisation.

Quick ratio

As at 31 December 2009, 2010 and 2011 and 30 June 2012, our quick ratio was 1.0, 0.8, 0.9 and 1.4, respectively. Our quick ratio as at 31 December 2009, 2010 and 2011 remained stable. The high quick ratio as at 30 June 2012 was due to a significant decrease in current liabilities as to the above mentioned reason in the current ratio.

Gearing ratio

Our gearing ratio increased from 3.9% as at 31 December 2009, to 30.1% as at 31 December 2010, to 35.6% as at 31 December 2011 and remained stable at 35.1% as at 30 June 2012, primarily due to the increase in bank borrowings as secured by the property House No. A25, Constellation Cove, Tai Po by Wealth Pine for the years ended 31 December 2010 and 2011 and financing the construction of Huizhou Production Facility for the year ended 31 December 2011.

Net debt to equity ratio

The Group has maintained a positive net cash position as at 31 December 2009, 2010 and 2011 and 30 June 2012.

Net profit before interest and tax margin

Net profit before interest and tax margin increased from 9.9% for the year ended 31 December 2009 to 12.1% for the year ended 31 December 2010, primarily due to higher gross profit margin for the year ended 31 December 2010. It further increased to 13.5% for the year ended 31 December 2011, mainly due to the lower rate of increase in commission and rebate in selling and distribution costs than that in total revenue, as a result of lower growth rate in self-operated retail sales than that of sales to distributors and wholesale customers. Our net profit before interest tax margin decreased from 13.5% for the year ended 31 December 2011 to 9.1% for the six months ended 30 June 2012, primarily due to the listing expenses of HK$9.4 million incurred for our Global Offering.

Net profit margin

Our net profit margin was 8.2%, 10.1%, 10.7% and 6.4% for the year ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. The fluctuation of our net profit margin was in line with that of the net profit before interest and tax margin during the Track Record Period.

Interest coverage

Interest coverage was 67.2, 69.4, 69.8 and 40.4 for the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2012, respectively. Interest coverage increased during the three years ended 2009, 2010 and 2011 as a result of the relatively higher growth of the operating profit than the interest expenses. The drop in interest coverage for the six months ended 30 June 2012 primarily due to the non-deductible listing expenses and our typical lower sales in the first half of a year.

Return on equity

For the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2012, our return on equity was 25.7%, 27.9%, 28.5% and 13.7%, respectively. Our return on equity increased between 2009 and 2011 was principally due to the increase in net profit and reduction of equity as a result of (i) reclassification adjustment relating to disposal of available-for-sale investment in year 2010 and (ii) the dividends declared to the Controlling Shareholders in year 2011. Our return on equity decreased from 28.5% for the year ended 31 December 2011 to 13.7% for the six months ended 30 June 2012. If not taking into account the listing expenses, return on equity decreased to 23.4%, due to the typical lower sales in the first half of a year and the increase in equity as a result of settlements of amounts due to related companies by way of capitalisation for the six months ended 30 June 2012.

Return on assets

For the years ended 31 December 2009, 2010 and 2011 and six months ended 30 June 2012, our return on assets was 11.1%, 12.1%, 12.6% and 8.6%, respectively. Our return on assets increased slightly between 2009 and 2011 primarily due to the increase in the net profit during the respective years. Our return on assets decreased from 12.6% for the year ended 31 December 2011 to 8.6% for the six months ended 30 June 2012. If not taking into accounts the listing expenses, return on assets increased to 14.7%, primarily due to the decrease in assets as a result of the disposal of Wealth Pine for the six months ended 30 June 2012. Please refer to "Results of operations" in this section of this Prospectus for further details on our profitability.

CAPITAL EXPENDITURES

Our capital expenditures have been primarily used in the purchase of property, plant and equipment and land use rights. The following table sets forth our capital expenditures for the years/period indicated:

	Year ended 31 December			Six months ended 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures				
Leasehold land and buildings	–	39,482	–	–
Prepaid lease payments – leasehold land in relation to our Huizhou Production Facility	–	–	29,186	–
Leasehold improvements	–	5,264	1,537	862
Construction in progress	–	–	4,573	41,890
Plant and machinery	825	407	1,108	34
Furniture and fixtures	320	1,260	586	569
Motor vehicles	1,506	2,915	1,310	3,119
Total capital expenditures	2,651	49,328	38,300	46,474

Our total capital expenditures increased to HK$49.3 million for the year ended 31 December 2010 from HK$2.7 million for the year ended 31 December 2009. The significant increase in capital expenditures for the year ended 31 December 2010 was primarily due to the acquisition of a property, House No. A25, Constellation Cove, Tai Po by Wealth Pine. Our capital expenditures decreased slightly from HK$49.3 million for the year ended 31 December 2010 to HK$38.3 million for the year ended 31 December 2011, then increased to HK$46.5 million for the six months ended 30 June 2012. The capital expenditures for the year ended 31 December 2011 and the six months ended 30 June 2012 primarily comprised expenditures in relation to prepaid land lease payments and construction costs incurred for our Huizhou Production Facility.

Operating Lease Commitments

We lease our self-operated concession counters in department stores and home furnishing malls, retail stores, offices, factory, staff quarters and warehouses. Leases are negotiated for terms ranging from one to twenty years. The following table sets forth the maturity profile of our operating lease obligations as at the years or periods indicated:

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	16,350	18,741	27,007	26,013
In the second to fifth years inclusive	14,653	19,212	29,154	27,785
Over five years	20,409	18,153	22,790	20,773
Total	51,412	56,106	78,951	74,571

Capital Commitments

In addition to the operating lease commitments as set out above, we had the following capital commitments as at 31 December 2009, 2010 and 2011 and 30 June 2012. The capital commitments as at 30 June 2012 were primarily related to the construction in progress in Huizhou.

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in Financial Information	–	–	78,750	43,671
Total	–	–	78,750	43,671

CONTINGENT LIABILITIES

As at 31 December 2009, 2010 and 2011 and 30 June 2012, we had no material contingent liabilities.

Our Directors confirm that, other than as disclosed in this Prospectus, there has been no material change in our indebtedness or contingent liabilities since 30 June 2012 up until the Latest Practicable Date.

SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2012:

(a) On 31 July 2012, an interim dividend of HK$11,000,000 was declared by Casablanca Home Holdings. The dividend was fully settled in August 2012.

(b) Pursuant to a written resolution passed by the sole Shareholder of the Company on 22 October 2012, the authorised share capital of the Company was increased from HK$380,000 divided into 3,800,000 ordinary Shares of HK$0.10 each to HK$50,000,000 divided into 500,000,000 ordinary Shares of HK$0.10 each by creation of 496,200,000 ordinary Shares. On the same date, Mr. Cheng Sze Kin (鄭斯堅), Mr. Cheng Sze Tsan (鄭斯燦) and Ms. Wong Pik Hung (王碧紅) transferred 1,692,000, 1,480,500 and 1,057,000 Shares in Casablanca Home Holdings to us respectively as consideration to pay up in full 200,000 ordinary Shares of HK$0.10 each allotted and issued by us to World Empire.

(c) Pursuant to a written resolution passed by the sole Shareholder of the Company on 22 October 2012, our Directors authorised to capitalise the amount of HK$14,600,000 standing to the credit of the share premium account of the Company to pay up in full at par 146,000,000 ordinary Shares of HK$0.10 each for allotment and issue to World Empire.

(d) Pursuant to a resolution in writing passed by the sole Shareholder of the Company on 22 October 2012, the Pre-IPO Share Option Scheme was adopted. As at the date of this Prospectus, options to subscribe for an aggregate of 22,320,000 ordinary Shares at an exercise price representing 20% discount to the Offer Price have been conditionally granted by us to certain directors, employees of the Group and other persons. Details of the Pre-IPO Share Option Scheme are set out in section headed "Pre-IPO Share Option Scheme" in Appendix V to this Prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements as at the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

The Group had entered into the following related party transactions:

Name of related companies	Relationship	Nature of transactions	Year ended 31 December			Six months ended 30 June
			2009	2010	2011	2012
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Shenzhen Fusheng	Related company	Rental expenses	–	399	1,997	1,181
Gain Harvest	Related company	Rental expenses	–	1,380	1,380	740
		Consultancy fee	–	224	504	–
Wealth Pine	Related company	Rental expenses	–	–	–	268

During the year ended 31 December 2010, the Group disposed of certain leasehold land and buildings to Shenzhen Fusheng, a company wholly owned by our Controlling Shareholders, at a consideration of RMB16.0 million (equivalent to HK$18.4 million), resulting in a gain on disposal of approximately HK$0.9 million. The consideration was determined with reference to the original acquisition costs of the leasehold land and buildings.

Mr. Cheng Sze Kin (鄭斯堅), Mr. Cheng Sze Tsan (鄭斯燦) and Ms. Wong Pik Hung (王碧紅) have also provided personal guarantees of HK$2.5 million, HK$66.2 million, HK$91.9 million and HK$98.4 million to financial institutions in respect of the Group's bank borrowings as at 31 December 2009, 31 December 2010, 31 December 2011 and 30 June 2012, respectively. The personal guarantees will be released upon Listing.

Shenzhen Fusheng has also provided corporate guarantee of HK$24.6 million and HK$24.4 million to a financial institution in respect of the Group's banking borrowings as at 31 December 2011 and 30 June 2012. This guarantee will be released upon Listing.

Gain Harvest has pledged its leasehold property to secure the Group's bank borrowings amounting to HK$35.0 million as at 30 June 2012. The pledge will be released upon Listing.

Other than this transaction as disclosed above, all related party transactions set out in Note 41 to financial information included in the Accountants' Report in Appendix I to this Prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to the Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

Our Directors confirmed that all these related party transactions will be discontinued after Listing, save and except that Shenzhen Fusheng and Gain Harvest will continue to lease properties to the Group after Listing, details of which are set out in the section headed "Connected Transactions" in this Prospectus.

MARKET RISKS

In the normal course of business, we are exposed to various types of market risks, including the followings:

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. We are exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank overdrafts. Interest charged on our borrowings are at variable rates and are mainly at the prime lending rates of the banks. We currently do not have any policy on cash flow hedges of interest rate risk. However, our management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign currency exchange rates.

We conduct our business primarily in Hong Kong dollars and Renminbi. We are also exposed to risks of the net cash inflows and outflows resulting from foreign currency denominated transactions with our wholesale customers and suppliers located outside Hong Kong and the PRC.

The following table shows the carrying amount of our monetary assets and monetary liabilities denominated in currencies other than the respective group entities, functional currencies at the end of each reporting period.

	Assets				Liabilities			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2009	2010	2011	2012	2009	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars (HK$)	48	47	341	773	–	–	–	–
Renminbi ("RMB")	–	8,784	19,936	12,804	–	–	–	–
Euro ("EUR")	–	634	508	187	–	2	–	155
United States dollars ("USD")	7,237	7,700	1,141	2,537	766	2,518	7,148	170
Macau pataca ("MOP")	–	–	592	346	–	–	–	–

The Group is mainly exposed to the foreign exchange risk of Renminbi and US dollars. Under the pegged exchange rate system, the financial impact on exchange difference between Hong Kong dollars and US dollars will be immaterial as most US dollar denominated monetary assets and liabilities are held by the Group entities having Hong Kong dollars as their functional currency, and therefore no sensitivity analysis has been prepared. For Euros and Macau patacas, no sensitivity analysis has been prepared as the amount involved is insignificant.

The sensitivity analysis below details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against Renminbi. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign currency rate. The sensitivity analysis includes the Group's monetary assets and monetary liabilities denominated in Renminbi. A positive (negative) number indicates an increase (decrease) in post-tax profit for the year/period when Hong Kong dollars strengthen 5% against Renminbi. For a 5% weakening of Hong Kong dollars against Renminbi, there would be an equal but opposite impact on the post-tax profit for the year or period.

	Year ended 31 December			Six months ended 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	–	(367)	(832)	(535)

In our opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year/period end exposure does not reflect the exposure during the year/period.

Credit Risk

Credit risk is primarily related to trade receivables from our customers and the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Our maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2009, 2010 and 2011 and 30 June 2012 in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the combined statements of financial position.

In order to minimise credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our directors consider that our credit risk is significantly reduced.

We also have concentration of credit risk on the investment funds placed with a financial institution and the fixed deposit placed with a bank, however, the credit risk is limited because all bank deposits and investment funds are deposited in or contracted with several financial institutions with good reputation and with high credit-ratings assigned by international credit-rating agencies. Other than the concentration of credit risk on liquid funds, we do not have any other significant concentration of credit risk. We have no significant concentration of credit risk in trade receivables with exposure spread over a number of counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuation in cash flows. Our management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

DIVIDEND POLICY

The declaration of dividends is subject to the discretion of our Directors, and, if necessary, the approval of our Shareholders. The amount of dividends actually declared and paid will also depend upon our earnings and cash flow, financial condition, capital requirements, investment requirements and any other conditions our Directors may deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the Cayman Companies Law. Our future declarations of dividends may or may not reflect our historical declarations of dividends.

DISTRIBUTABLE RESERVES

We were incorporated on 2 April 2012 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 30 June 2012.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets is set out to illustrate the effect of the Global Offering on our net tangible assets as at 30 June 2012 as if it had taken place on 30 June 2012.

The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as at 30 June 2012 or any future date following the Global Offering. It is prepared based on our net assets as at 30 June 2012 as set out in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' Report.

	Audited combined net tangible assets attributable to the owners of the Company as at 30 June 2012(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company(3)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share(4)
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on the low-end of the indicative Offer Price range of HK$1.50 per Share	194,291	56,955	251,246	1.26
Based on the high-end of the indicative Offer Price range of HK$2.00 per Share	194,291	81,205	275,496	1.38

Notes:

(1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2012 has been derived after deducting the intangible assets of approximately HK$9,000 as set out in the Accountants' Report.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price range of HK$1.50 and HK$2.00 per Share respectively, after deduction of estimated underwriting fees and other related expenses payable by us. No account has been taken of the Shares which may be issued upon the exercise of Over-allotment Option, Shares which may be alloted and issued, or repurchased by us pursuant to the general mandate, or options that may be granted under the Share Option Scheme.

(3) The number of shares used for the calculation of unaudited pro forma adjusted net tangible assets per Share is based on 200,000,000 Shares in issue immediately after the Global Offering, not taking into account the number of share options that may be vested and may become exercisable upon the date of the Listing under the Pre-IPO Share Option Scheme.

(4) By comparing the valuation of our property interests as set out in Appendix III to this Prospectus, the net valuation surplus is approximately HK$577,000 as compared to the carrying amounts of the Group's property interests as of 30 September 2012, which has not been included in the above combined net tangible assets attributable to owners of the Company. The valuation surplus of our property interests will not be incorporated in the Group's consolidated financial statements in the future. If the valuation surplus were to be included in our consolidated financial statements, an additional annual depreciation charge of approximately HK$23,000 would be incurred.

(5) No adjustment has been made to reflect any trading results or other transactions of the Group entered subsequent to 30 June 2012.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued the property interest of the Group at HK$94.9 million (equivalent to RMB77.0 million) as at 30 September 2012.

The table below sets forth the reconciliation of the aggregate amount of net book value of our property interests from our combined financial information as at 30 June 2012 and the valuation of such property interests as at 30 September 2012 set out in Appendix III to this Prospectus:

	HK$ (million)	*HK$ (million)*
Valuation of property interest held under development by the Group as of 30 September 2012 as set out in the property valuation report in Appendix III to this Prospectus		94.9 (equivalent to RMB77.0 million)
Net book value of the following properties as of 30 June 2012 as set out in Appendix I to this Prospectus:		
– Prepaid lease payments	29.0	
– Construction in progress	46.3	
Net book value as of 30 June 2012	75.3	
Add: Additions during the period from 1 July 2012 to 30 September 2012	18.4	
Less: Amortisation during the period from 1 July 2012 to 30 September 2012	(0.2)	
Exchange adjustment	0.9	
Net book value as of 30 September 2012		94.4
Net valuation surplus		0.5

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

EFFECT ON OUR FINANCIAL PERFORMANCE DUE TO LISTING EXPENSES AND EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSES

Our net profit for the year ending 31 December 2012 will have a considerable reduction due to the incurrence of listing expenses and equity-settled share-based payment expenses in 2012. Our financial performance for the year ending 31 December 2012 will be affected by such expenses as compared with our financial performance for the year ended 31 December 2011.

(i) Listing Expenses

The listing expenses primarily consist of fees paid to professional parties for our Global Offering. We have incurred approximately HK$9.4 million in listing expenses relating to our Global Offering for the six months ended 30 June 2012 and expect to incur total listing expenses of approximately HK$18.5 million in the combined statement of comprehensive income, of which approximately HK$9.1 million will be incurred for the six months ending 31 December 2012.

(ii) Equity-settled Share-based Payment Expenses

Equity-settled share-based payment expenses will be incurred due to our adoption of a Pre-IPO Share Option Scheme on 22 October 2012. As at the date of this Prospectus, options to subscribe for an aggregate of 22,320,000 Shares at an exercise price representing 20% discount to the Offer Price have been conditionally granted to 69 persons by us under the Pre-IPO Share Option Scheme. We did not incur any equity-settled share-based payment expenses during the Track Record Period. We expect to incur equity-settled share-based payment expenses of approximately HK$0.9 million (assuming an Offer Price of HK$1.75 per Share, being the mid-point of the indicative Offer Price range) for the year ending 31 December 2012. For details of the Pre-IPO Share Option Scheme, please refer to the paragraph headed "8. Pre-IPO Share Option Scheme" in Appendix V to this Prospectus.

Save for the aforesaid listing expenses and equity-settled share-based payment expenses, the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 30 June 2012 (being the date to which the latest audited combined financial statements of the Group were made up).

NO SIGNIFICANT INTERRUPTIONS

Our Directors confirm that there have been no interruptions in our business that may have had a significant effect on our results of operations and financial position in the last 12 months.